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**SUDBURY
CONTACT
MINES,**
L I M I T E D



**ANNUAL
REPORT**



F O R T H E Y E A R E N D E D D E C E M B E R 3 1 S T

1970

SUDBURY CONTACT MINES, LIMITED

(Incorporated under the Laws of the Province of Ontario)

Executive and Head Office	Suite 1101, 365 Bay Street TORONTO, ONTARIO
Directors	ARCHIE BASEN SAMUEL GELLER WM. L. HOGARTH, JR. PAUL PENNA RUPERT F. RIGHTON JOHN L. VORBACH, JR.
Officers	PAUL PENNA, <i>President</i> JEAN GELLER, <i>Secretary-Treasurer</i>
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.Eng.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Starkman, Kraft, Rothman, Berger & Grill, Chartered Accountants, Toronto, Ontario
Shares Listed	Toronto Stock Exchange, Toronto, Canada
Annual Meeting	April 29, 1971, 11:00 a.m. (Toronto Time), Royal York Hotel, 100 Front Street West, Toronto, Ontario

SUDBURY CONTACT MINES, LIMITED

Directors' Report

To the Shareholders:

The Directors present the audited financial statements of the Company for the year ended December 31, 1970 and also a general review of activities, exploration plans and property interests.

Exploration during 1970 centered around the Company's properties in the Joutel Area of Quebec, in Montgomery Township, Ontario, and in the Birch Lake Area of Northwestern Ontario. Exploration expenditures on these three properties totalled \$147,201 which approximates the forecast budget of \$150,000.

The following is a summary of the work carried on these three principal exploration projects during the year.

Joutel Area, Quebec

This property comprises 30 contiguous claims located in Poirier, Rainboth and Joutel Townships adjoining to the west of Rio Algom's Mines de Poirier copper producer in the Joutel Area of northwestern Quebec.

Work on this group of 30 claims during the year was a continuation of the 1969 program. A deep penetrating electromagnetic survey together with magnetics was carried out over the eastern portion of this property in the area adjoining to the west of Mines de Poirier. This geophysical survey located a conductive zone, the axis of which extends westerly for a distance of over a half-mile from the eastern boundary of the property.

Three holes totalling 2,470 feet were drilled to test the anomaly. No mineralization of economic interest was encountered and after a thorough review of all the data the option was

allowed to lapse and the claims reverted to the owners.

Montgomery Township, Ontario

A diamond drilling program to test favourable areas and the extension of known copper bearing quartz veins was carried out on the Company's 35 claim group in Montgomery Township during July-October 1970. Twenty-eight holes totalling 7,991 feet of drilling were completed.

The property covers a quartz vein system, the north vein of which has been traced at intervals across the property for a length of 18,000 feet, with both ends still open. Paralleling some 600 feet to the south, a similar copper bearing vein has been traced for 2,500 feet and is up to 20 feet wide. All of the present and previous work has been carried out on the north vein.

A new zone was indicated in the 'Adit Area' by three holes drilled at 400 foot intervals along the vein to a vertical depth of 150 feet. These widely spaced holes have outlined a possible ore shoot for a length of 1,000 feet, grading 1.70% copper over a true width of 16.7 feet.

Other drilling on the 'East Zone' of the main vein has indicated several shoots. These total 94,300 tons with an average grade of 2.31% copper to a depth of 250 feet.

The results of an analysis of the drilling completed to date to a relatively shallow depth are encouraging. The 'East Zone' is still open for extension both east and west and to depth. Also the strong vein zone parallel and 600 feet south of the main zone should be tested. Further definition drilling is also required on the east 'Adit Zone' to delimit this new zone on strike and also to test it at depth.

Birch Lake Area, Northwestern Ontario

Late in 1969, the Company acquired a working option covering three claim groups totalling 82 claims in the Birch Lake Area, about 70 miles east of Red Lake, Ontario. The three claim groups are designated as Projects A, B and C, consisting of 32 claims, 25 claims, and 25 claims, respectively.

Project A

Prospecting consisting of stripping and rock trenching was carried out over the conductive zones outlined by the electromagnetic survey completed on this 32 claim group last winter. This work turned up some disseminated copper mineralization in sheared volcanics but not of sufficient amount to be of economic interest. The option on this claim group was allowed to lapse.

Project B

Diamond drilling carried out by a major mining company on its optioned block which adjoins to the east of this 25 claim group did not encounter economic mineralization. No further work is planned for this group which is largely water covered.

Project C

The geophysical survey completed during the 1969-1970 winter on the northern part of the claim block near the northwestern end of Birch

Lake obtained quite strong conductive effects. During the summer of 1970, three holes were drilled to test the northern end of an anomalous zone that lies near a surface copper-nickel showing. Hole No. 2 cut the projected northerly extension of the west conductor zone and intersected 37 feet of disseminated pyrrhotite and chalcopyrite mineralization in altered gabbro averaging 0.105% copper and 0.094% nickel. This included 24 feet averaging 0.135% copper and 0.135% nickel. This anomaly is 4,000 feet long with the more northerly section of 1,800 feet being weak, and the southern 2,200 feet, entirely lake covered, quite strong.

Drilling has now been resumed to test the lake covered portion of this anomaly and a parallel anomaly which lies some 1,000 feet east. The results of this work will provide data to assist in the planning of any further exploration which may be carried out during next winter.

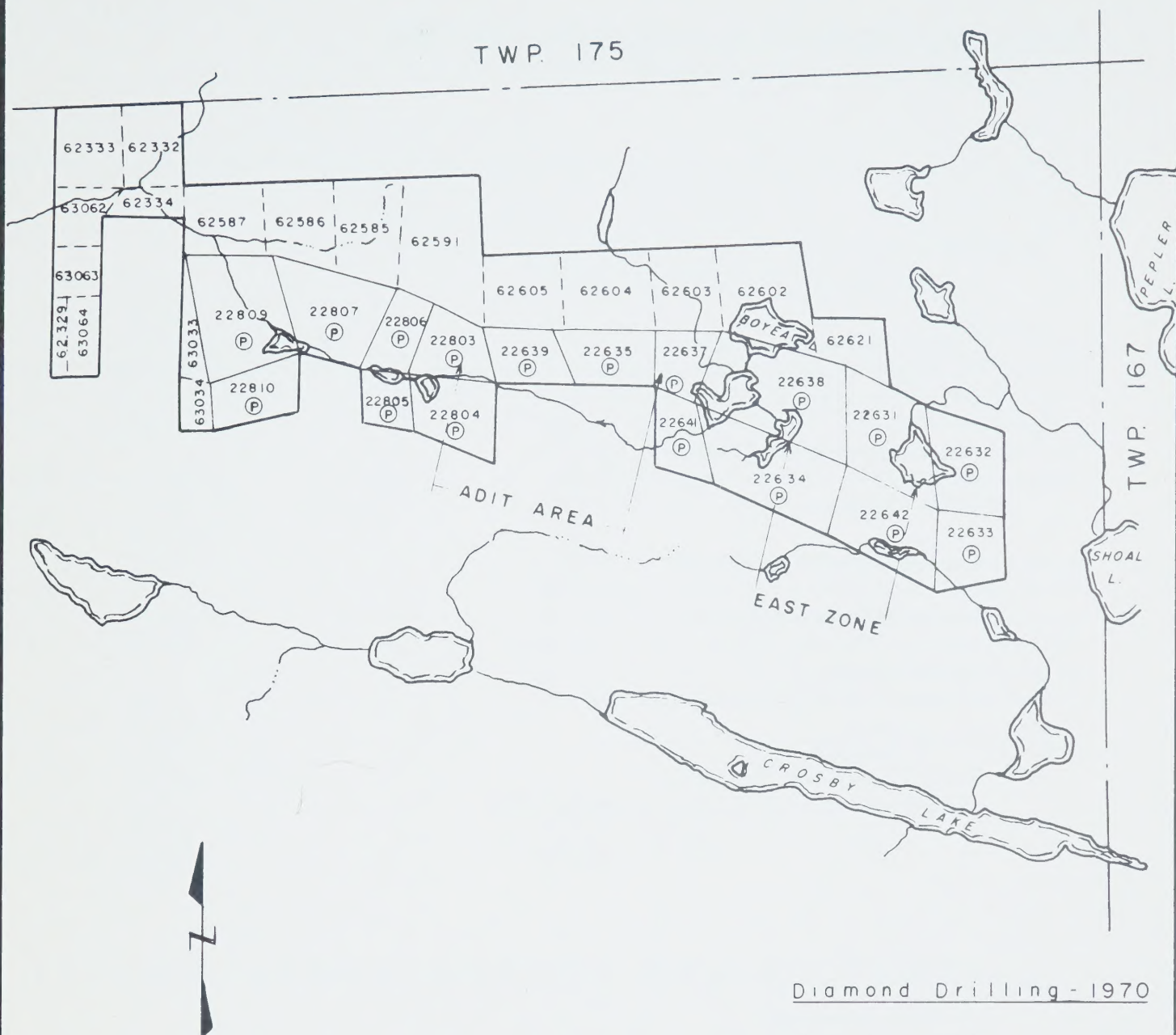
Your Directors look forward to another active year of exploration during 1971.

On behalf of the Board of Directors,

"PAUL PENNA"

President

February 25, 1971



Diamond Drilling - 1970

- 1) ADIT AREA
- 2) EAST ZONE

SUDBURY CONTACT MINES LTD.
 MONTGOMERY TWP., ONTARIO

PROPERTY MAP
 (SHOWING DRILLING AREAS)

SCALE 1" = 1/2 MILE NOV. 1970

BALANCE SHEET *as at December 31, 1970*
(with comparative figures as at December 31, 1969)

ASSETS

CURRENT ASSETS

Cash
Accounts receivable
Marketable securities, at lower of cost and market (market value 1970 — \$171,957; 1969 — \$370,693)
Prepaid expenses

FIXED ASSETS, at cost (Note 1)

Equipment
Office furniture

Less: Accumulated depreciation

Mining claims and properties

OTHER ASSETS

Investment in other companies, at cost
 — shares
 — advances
Deferred exploration expenditures
Unlisted and escrowed securities, at nominal value

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Bank indebtedness
Accounts payable and accrued charges

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized — 6,000,000 Shares, par value \$1 each
Issued and Fully Paid — 4,986,250 Shares
 Less: Discount

DEFICIT

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

(Incorporated under the laws of the Province of Ontario)

AUDITORS' REPORT TO THE SHAREHOLDERS

1970	1969
—	\$ 38,711
\$ 6,000	5,000
67,006	154,398
471	887
<u>\$ 73,477</u>	<u>\$ 198,996</u>
\$ 21,269	\$ 21,269
1,753	1,753
<u>\$ 23,022</u>	<u>\$ 23,022</u>
17,293	17,118
\$ 5,729	\$ 5,904
1,013,976	1,021,376
<u>\$1,019,705</u>	<u>\$1,027,280</u>
\$ 9,610	\$ 9,610
2,500	2,500
248,161	188,407
1	1
<u>\$ 260,272</u>	<u>\$ 200,518</u>
<u>\$1,353,454</u>	<u>\$1,426,794</u>
\$ 7,726	—
4,548	\$ 2,239
<u>\$ 12,274</u>	<u>\$ 2,239</u>
\$4,986,250	\$4,986,250
3,050,750	3,050,750
<u>\$1,935,500</u>	<u>\$1,935,500</u>
594,320	510,945
<u>\$1,341,180</u>	<u>\$1,424,555</u>
<u>\$1,353,454</u>	<u>\$1,426,794</u>

We have examined the balance sheet of Sudbury Contact Mines, Limited as at December 31, 1970 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario,
February 24, 1971.

Approved on behalf of the Board:

PAUL PENNA, Director.

SAMUEL GELLER, Director.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF INCOME

For the year ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

	1970	1969
REVENUE		
Profit (loss) on sale and revaluation of marketable securities (net) . .	\$ 44,689	\$ (11,678)
Interest and dividends	13	559
	<u>\$ 44,702</u>	<u>\$ (11,119)</u>
EXPENSES		
Administration, office and accounting	\$ 7,800	\$ 6,000
Shareholders' information	5,910	4,635
Transfer agent fees	2,462	1,299
Legal and audit	6,596	4,790
Interest and bank charges	540	468
Directors' fees	200	150
Depreciation, office furniture	175	175
Licences and taxes	242	309
Miscellaneous	1,845	1,931
	<u>\$ 25,770</u>	<u>\$ 19,757</u>
NET INCOME (LOSS) FOR THE YEAR	<u>\$ 18,932</u>	<u>\$ (30,876)</u>

STATEMENT OF DEFICIT

For the year ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

	1970	1969
BALANCE, beginning of year	\$ 510,945	\$ 274,626
Add: Option on claims written off		
— Poirier, Rainboth and Joutel Townships	11,500	—
— Red Lake Mining Division	2,400	—
— Chibougamau Township	—	1,000
Provincial mining property — lease dropped	—	7,000
Deferred expenditures on above	88,407	197,443
	<u>\$ 613,252</u>	<u>\$ 480,069</u>
Less: Net income (loss) for the year	18,932	(30,876)
BALANCE, end of year	<u>\$ 594,320</u>	<u>\$ 510,945</u>

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

For the year ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

EXPENDITURES DURING YEAR	1970	1969
Montgomery Township		
Diamond drilling	\$ 69,919	—
Consulting	9,271	—
Licences and taxes	341	\$ 341
Assaying	128	—
	<u>\$ 79,659</u>	<u>\$ 341</u>
Red Lake Mining Division		
Diamond drilling	\$ 13,069	—
Consulting	7,148	\$ 2,707
Surveys	4,696	—
Stripping and trenching	3,401	—
General camp expenses	2,994	103
Travel	2,840	607
Line cutting	2,300	—
Staking	—	4,000
	<u>\$ 36,448</u>	<u>\$ 7,417</u>
Poirier, Rainboth and Joutel Townships		
Diamond drilling	\$ 16,842	\$ 48,093
Engineering and consulting fees	6,006	7,913
Surveys	7,559	130
Claim rental	490	495
General expense	297	—
Wages	—	582
	<u>\$ 31,194</u>	<u>\$ 57,213</u>
Other Properties		
Licences, fees and taxes	\$ 860	\$ 2,497
	<u>\$ 148,161</u>	<u>\$ 67,468</u>
DEFERRED EXPLORATION EXPENDITURES, beginning of year	188,407	318,382
	<u>\$ 336,568</u>	<u>\$ 385,850</u>
Less: Expenditures written off		
— Poirier, Rainboth and Joutel Townships	\$ 88,407	—
— Provincial Mining Property	—	\$ 185,276
— Chibougamau Township	—	10,854
— Other	—	1,313
	<u>\$ 88,407</u>	<u>\$ 197,443</u>
DEFERRED EXPLORATION EXPENDITURES, end of year	<u>\$ 248,161</u>	<u>\$ 188,407</u>

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

For the year ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

	1970	1969
Montgomery Township	\$ 136,730	\$ 57,071
Red Lake Mining Division	43,865	7,417
Fairbanks Township	67,280	66,580
Thunder Bay	286	126
Poirier, Rainboth and Joutel Townships	—	57,213
	<u>\$ 248,161</u>	<u>\$ 188,407</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

SOURCE OF FUNDS	1970	1969
Net income (loss) for the year	\$ 18,932	\$ (30,876)
Depreciation	175	175
	<u>\$ 19,107</u>	<u>\$ (30,701)</u>
APPLICATION OF FUNDS		
Exploration expenditures	\$ 148,161	\$ 67,468
Acquisition of options on mining claims	6,500	11,900
Acquisition of fixed assets	—	227
Investment in other companies	—	2,510
	<u>\$ 154,661</u>	<u>\$ 82,105</u>
DECREASE IN WORKING CAPITAL	\$ 135,554	\$ 112,806
WORKING CAPITAL, beginning of year	196,757	309,563
WORKING CAPITAL, end of year	<u>\$ 61,203</u>	<u>\$ 196,757</u>

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1970

1. The company's equipment is in storage and no depreciation has been provided for during the year.
2. The company has entered into a working option agreement on 25 claims in the Red Lake Mining Division at a cost to date of \$4,500. The maximum payments required during 1971 to extend the options for 12 months amounts to \$2,500. The company may acquire these claims by making payments of \$45,500 over a period from 1971 to 1974.

